

# Auditing Procedures Report

[Reset Form](#)
[Email](#)

Issued under Public Act 2 of 1988, as amended.

Unit Name	Village of Homer	County	CALHOUN	Type	VILLAGE	MuniCode	13-3-030
Opinion Date	4-25-08	Audit Submitted	6-16-08	Fiscal Year	12-31-07		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 626,106.00
General Fund Expenditure:	\$ 531,930.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 93,794.00
Governmental Activities Long-Term Debt (see instructions):	\$ 103,551.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Katherine K	Last Name	Sheldon	Ten Digit License Number	1101023575
CPA Street Address	525 W Apple St	City	Hastings	State MI	Zip Code 49058
CPA Firm Name	Walker, Fluke & Sheldon, PLLC	Unit's Street Address	525 W Apple St	City Hastings	Zip Code 49058

**VILLAGE OF HOMER**  
**FINANCIAL STATEMENTS**  
For the year ended December 31, 2007

## TABLE OF CONTENTS

Independent Auditors' Report	1
Management Discussion and Analysis	2 - 6
Basic Financial Statements:	
Government-Wide Statement of Net Assets	7
Government-Wide Statement of Activities	8
Governmental Fund Balance Sheet	9
Reconciliation of the Governmental Funds Balance Sheet to the Statement Of Net Assets	10
Governmental Fund Statement of Revenue, Expenditures, and Changes In Fund Balance	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balance of Governmental Funds to Statement of Activities	12
Proprietary Funds Statement of Net Assets	13
Proprietary Funds Statement of Revenues, Expenses and Changes in Net Assets	14
Proprietary Funds Statement of Cash Flows	15
Notes to Financial Statements	16 - 28
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund	29 - 30
Budgetary Comparison Schedule - Major Street Fund	31
Budgetary Comparison Schedule - Local Street Fund	32
Budgetary Comparison Schedule - Library Fund	33 - 34
Budgetary Comparison Schedule - Fire Fund	35
Additional Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	36 - 41
Combining Balance Sheet - Non-Major Governmental Funds	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds	43
Independent Auditors Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	44 - 45



WALKER, FLUKE & SHELDON, PLC

CERTIFIED PUBLIC ACCOUNTANTS

525 W. Apple Street  
Hastings, MI 49058  
Phone (269) 945-9452  
Fax (269) 945-4890

Christopher J. Fluke, C.P.A.  
Katherine K. Sheldon, C.P.A.

1971 S. State Road  
Ionia, MI 48846  
Phone (616) 522-0792  
Fax (616) 522-0873

## INDEPENDENT AUDITORS' REPORT

To the Village Council  
Village of Homer  
Calhoun County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Homer, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the Village's financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Homer, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Homer, Michigan, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 25, 2008, on our consideration of the Village of Homer, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management discussion and analysis and required supplementary information list in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Homer's basic financial statements. The additional supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Village of Homer, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Hastings, Michigan  
April 25, 2008

*Walker, Fluke & Sheldon, PLLC*

## Village of Homer Management Discussion and Analysis

As the Village Council of the Village of Homer, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of Village of Homer for the fiscal year ended December 31, 2007. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Village. We encourage readers to consider this information in conjunction with the letter or transmittal, which begins on page 1, and the financial statements, which begin on page 7.

### Financial Highlights

- The assets of Village of Homer exceeded its liabilities at the close of the most recent fiscal year by \$6,591,018 (net assets) compared to \$6,445,459 last year. Of this amount, \$1,124,220 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$145,559 compared to a decrease of \$101,920 last year, which reflects a positive change of \$247,479
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,286,957, a decrease of \$40,508 compared to an ending fund balance of \$1,327,465 a decrease of \$17,976 from the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$(10,508). Last year the unreserved fund balance for the general fund was \$(32,809). This is an increase of \$22,301 over 2006.

### Overview of the Financial Statements

The Village of Homer's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Village's financial position is improving or deteriorating.

The statement of activities presents information showing how the Village's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., state shared revenue).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, highways and streets, recreation and cultural and health and welfare.

The government-wide financial statements can be found on pages 7-8 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Village of Homer, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: government funds, proprietary funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and

the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village of Homer maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Streets, Local Streets, Library and Fire Funds which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 9-11 of this report.

**Proprietary funds.** The Village maintains two types of proprietary funds. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for the Water Fund and Sewer Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, both of which are considered to be major funds of the Village. The proprietary fund financial statements can be found on pages 12-15 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Village's own programs. The Village currently has no Fiduciary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 16-28 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Village adopts an annual budget for its general fund, major street fund and local street fund. Within the required supplementary information, a budget comparison statement has been provided for these funds to demonstrate compliance with the budget.

Required supplementary information can be found on pages 29-35 of this report.

Individual fund statements and schedules are presented immediately following the required supplementary information on budgets on pages 36-43.

#### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Village of Homer, assets exceeded liabilities by \$6,591,018 at the close of the most recent fiscal year.

\$1,124,220 of the Village's net assets (17.06 percent) reflects its unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the Village's net assets (7.40 percent) reflects restricted net assets \$488,034, which are resources that are subject to external restrictions on how they may be used. The remaining portion of the Village's net assets (75.54 percent) reflects its investment in capital assets \$4,978,764 (e.g. land, buildings, equipment and furniture and fixtures). The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**Village of Homer's Condensed Financial Data**

	<b>Governmental</b>		<b>Business-Type</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Current and Other Assets	\$ 1,426,212	\$ 1,369,246	\$ 361,577	\$ 323,636
Capital Assets	2,548,091	2,383,419	2,999,673	3,139,712
Total Assets	<u>3,974,303</u>	<u>3,752,665</u>	<u>3,361,250</u>	<u>3,463,347</u>
Short-Term Liabilities	180,301	103,119	88,234	98,434
Long-Term Liabilities	48,000	56,000	428,000	513,000
Total Liabilities	<u>228,301</u>	<u>159,119</u>	<u>516,234</u>	<u>611,434</u>
Net Assets				
Invested in Capital Assets,				
Net of Related Debt	2,492,091	2,319,419	2,486,673	2,541,712
Restricted	66,033	79,233	422,001	411,882
Unrestricted	1,187,878	1,194,894	(63,658)	(101,681)
Total Net Assets	<u>\$ 3,746,002</u>	<u>\$ 3,593,546</u>	<u>\$ 2,845,016</u>	<u>\$ 2,851,913</u>
Program Revenues				
Charges for Services	\$ 362,316	\$ 342,279	\$ 461,082	\$ 426,336
Operating Grants and Contributions	128,414	129,065	-	-
Capital Grants and Contributions	152,203	-	-	-
General Revenues				
Property Taxes	427,902	430,707	-	-
Licenses and Permits	5,866	4,477	500	4,884
State Grants	212,554	216,217	-	-
Investment Income	53,477	22,118	18,043	14,987
Other	39,421	29,606	12,795	7,629
Total Revenues	<u>1,382,153</u>	<u>1,174,469</u>	<u>492,420</u>	<u>453,836</u>
Program Expenses				
Governmental Activities				
Legislative	10,609	10,719	-	-
General Government	178,821	169,108	-	-
Public Safety	525,136	561,712	-	-
Public Works	326,057	304,820	-	-
Health and Welfare	-	-	-	-
Recreational and Cultural	201,977	207,752	-	-
Interest and fiscal charges	3,200	3,836	-	-
Loss on Disposal	1,320	(1,000)	-	-
Transfers (In) Out	(17,423)	(10,655)	17,423	10,655
Business-Type Activities				
Water	-	-	191,719	188,267
Sewer	-	-	264,400	256,486
Interest and fiscal charges	-	-	25,775	28,525
Total Expenses	<u>1,229,697</u>	<u>1,246,292</u>	<u>499,317</u>	<u>483,933</u>
Change in Net Assets	<u>\$ 152,456</u>	<u>\$ (71,823)</u>	<u>\$ (6,897)</u>	<u>\$ (30,097)</u>

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

**Governmental activities.** Governmental activities increased the Village's net assets by \$152,456; mainly due to a large street project and decreases in spending.

For the most part, expenses were comparable with the prior year. General government expenses were up due to increased costs. Public safety expenses were down due to the completion of the master plan in the prior year and public works increased due to depreciation of infrastructure assets.

**Business-Type activities.** Business-type activities decreased the Village's net assets by \$6,897 mainly due to water and sewer rates are not high enough to support the corresponding expenses of those funds. This was addressed with an increase in water rates for 2008.

#### **Financial Analysis of the Village's Funds**

As noted earlier, the Village used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Village's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,286,957, a decrease of \$40,508. Last year, the Village's governmental funds combined ending fund balance was \$1,327,465, which was a decrease of \$17,976.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$(10,508) and the total fund balance was \$93,794. Unreserved fund balance is a negative balance due to numerous village designations.

The fund balance of the Village's general fund increased by \$14,053 during the current fiscal year, mainly due to decreased spending.

**Proprietary funds.** The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

As of the end of the current fiscal year, the Village's water fund reported unrestricted net assets of \$(10,690). The Water Fund had a decrease in net assets of \$14,344. The Village's Sewer Fund reported unrestricted net assets of \$(52,968) at the end of the year. The Sewer Fund had an increase in net assets of \$7,447. The Village recognizes the declines in the water and sewer funds and is in the process of bringing water and sewer rates to where they need to be.

#### **General Fund Budgetary Highlights**

The amended general fund revenue budget increased from the original budget by \$15,188 mainly due to an amendment for an increase in charges for taxes and penalties and other minor changes. The general fund expenditures increased \$19,267 between the original budget and the final budget. The majority of the changes in appropriations can be summarized with the following:

- \$10,502 increase to president
- \$13,220 increase in audit
- \$11,500 increase in attorney
- \$18,694 increase to buildings and grounds
- \$22,701 decrease to police
- \$5,035 decrease to parks
- \$7,110 decrease to capital outlay

All other changes to the budget were minor. The majority of budget amendments were to the president activities for the additional costs associated with finding a new manager and buildings and grounds for increased repairs and maintenance. Also audit and attorney were increased to represent actual costs for the year. Police was decreased due to less coverage and capital outlay was decreased due to less spending. However, during the year revenues and expenditures were less than budgetary estimates.

#### **Capital Assets**

The Village's investment in capital assets for its governmental activities as of December 31, 2007, amounts to \$2,548,091 (net of accumulated depreciation). This investment in capital assets includes: land, buildings, improvements, equipment and furniture and fixtures.

Major capital asset events during the current fiscal year included new public safety equipment and vehicles and streetscaping. Details of the Village's capital assets are continued in the notes to the financial statements on pages 23 and 24.



### Long-Term Debt

At the end of the current fiscal year, the Village had total bonded debt outstanding of \$569,000 and general obligation debt of \$47,551. The Village's debt represents bonds secured by specified revenue sources and compensated absences, respectively.

#### **The Village's Outstanding Debt General Obligation and Revenue Bonds**

	Governmental-Type Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Primary Government:						
Revenue Bonds	\$ 56,000	\$ 64,000	\$ 513,000	\$ 598,000	\$ 569,000	\$ 662,000
Compensated Absences	47,551	48,011	-	-	47,551	48,011
Total	<u>\$ 103,551</u>	<u>\$ 112,011</u>	<u>\$ 513,000</u>	<u>\$ 598,000</u>	<u>\$ 616,551</u>	<u>\$ 710,011</u>

The Village's debt decreased by \$93,460 (15.16%) during the current fiscal year. The net reduction was mainly attributable to making debt service payments as they came due.

Additional information on the Village's long-term debt can be found on pages 25 and 26 of the notes to the financial statements.

### Economic Factors and Next Year's Budgets and Rates

Budget assumptions: The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State shared revenues are expected to decrease in the 2007-2008 fiscal year. The Village budgeted for a decrease in state-shared revenue. The Village's millage rate will remain the same. The taxable value will increase, thus bringing in more tax revenue. The Village is finalizing the federal project downtown and is working on additional ways to stabilize costs.

### Requests for Information

This financial report is designed to provide a general overview of Village of Homer's finances for all those with an interest in the village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the (President/Treasurer/Clerk), Village of Homer, 130 E Main Street, P.O. Box 155 Homer, MI 49245.

**VILLAGE OF HOMER**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**December 31, 2007**

<b>ASSETS</b>	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 413,185	\$ (70,312)	\$ 342,873
Investments	576,632	-	576,632
Receivables (Net)			
Taxes	57,733	-	57,733
Other	19,398	-	19,398
Accounts	-	110,351	110,351
Due from Other Funds	72,087	-	72,087
Due from State	94,612	-	94,612
Due from Other Units of Government	14,967	-	14,967
Internal Balances	116,215	(116,215)	-
Bond Issue Costs	-	15,752	15,752
Restricted Assets	61,383	422,001	483,384
Capital Assets (Net of Accumulated Depreciation)	<u>2,548,091</u>	<u>2,999,673</u>	<u>5,547,764</u>
<b>Total Assets</b>	<b><u>3,974,303</u></b>	<b><u>3,361,250</u></b>	<b><u>7,335,553</u></b>
<b>LIABILITIES</b>			
Accounts Payable	39,838	-	39,838
Accrued Liabilities	12,825	3,234	16,059
Due to Other Funds	72,087	-	72,087
Noncurrent Liabilities			
Due Within One Year	55,551	85,000	140,551
Due in More Than One Year	<u>48,000</u>	<u>428,000</u>	<u>476,000</u>
<b>Total Liabilities</b>	<b><u>228,301</u></b>	<b><u>516,234</u></b>	<b><u>744,535</u></b>
<b>NET ASSETS</b>			
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,492,091	2,486,673	4,978,764
Restricted for Building Authority	66,033	-	66,033
Restricted for Debt Service	-	422,001	422,001
Unrestricted	<u>1,187,878</u>	<u>(63,658)</u>	<u>1,124,220</u>
<b>Total Net Assets</b>	<b><u>\$ 3,746,002</u></b>	<b><u>\$ 2,845,016</u></b>	<b><u>\$ 6,591,018</u></b>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF HOMER**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
For The Year Ended December 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental Activities							
Legislative	\$ 10,609	\$ -	\$ -	\$ -	\$ (10,609)	\$ -	\$ (10,609)
General Government	178,821	3,134	-	-	(175,687)	-	(175,687)
Public Safety	525,136	193,374	-	-	(331,762)	-	(331,762)
Public Works	326,057	81,272	124,856	152,203	32,274	-	32,274
Recreational and Cultural	201,977	84,536	3,558	-	(113,883)	-	(113,883)
Interest and Fiscal Charges	3,200	-	-	-	(3,200)	-	(3,200)
Total Governmental Activities	<u>1,245,800</u>	<u>362,316</u>	<u>128,414</u>	<u>152,203</u>	<u>(602,867)</u>	<u>-</u>	<u>(602,867)</u>
Business-type Activities							
Water	191,719	173,942	-	-	-	(17,777)	(17,777)
Sewer	264,400	287,140	-	-	-	22,740	22,740
Interest and Fiscal Charges	25,775	-	-	-	-	(25,775)	(25,775)
Total Business-type Activities	<u>481,894</u>	<u>461,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,812)</u>	<u>(20,812)</u>
Total Primary Government	<u>\$ 1,727,694</u>	<u>\$ 823,398</u>	<u>\$ 128,414</u>	<u>\$ 152,203</u>	<u>(602,867)</u>	<u>(20,812)</u>	<u>(623,679)</u>
General Revenues							
Taxes and Penalties					427,902	-	427,902
Licenses and Permits					5,866	500	6,366
State Grants					212,554	-	212,554
Investment Income					53,477	18,043	71,520
Other					39,421	12,795	52,216
Total General Revenue					<u>739,220</u>	<u>31,338</u>	<u>770,558</u>
Loss on Disposal of Capital Assets					(1,320)	-	(1,320)
Transfers					17,423	(17,423)	-
Change in Net Assets					152,456	(6,897)	145,559
Net Assets-Beginning					<u>3,593,546</u>	<u>2,851,913</u>	<u>6,445,459</u>
Net Assets-Ending					<u>\$ 3,746,002</u>	<u>\$ 2,845,016</u>	<u>\$ 6,591,018</u>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF HOMER**  
**GOVERNMENTAL FUND BALANCE SHEET**  
December 31, 2007

<b>ASSETS</b>	<b>General</b>	<b>Major Streets</b>	<b>Local Streets</b>	<b>Library</b>	<b>Fire</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and Cash Equivalents	\$ 19,837	\$ 32,771	\$ 166,148	\$ 43,750	\$ 54,708	\$ 144,038	\$ 461,252
Investments	-	-	315,000	-	-	261,632	576,632
Receivables	-	-	-	-	-	-	-
Taxes	41,284	-	16,449	-	-	-	57,733
Other	2,386	-	3,278	-	12,025	1,709	19,398
Due From State	75,774	13,515	5,323	-	-	-	94,612
Due From Other Units of Government	-	-	-	14,967	-	-	14,967
Due From Other Funds	5,915	-	177,887	-	-	4,500	188,302
<b>Total Assets</b>	<b>\$ 145,196</b>	<b>\$ 46,286</b>	<b>\$ 684,085</b>	<b>\$ 58,717</b>	<b>\$ 66,733</b>	<b>\$ 411,879</b>	<b>\$ 1,412,896</b>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>Liabilities</b>							
Accounts Payable	\$ 3,362	\$ 33,934	\$ -	\$ 682	\$ 2,287	\$ -	\$ 40,265
Accrued Liabilities	6,756	518	515	1,771	1,856	-	11,416
Due To Other Funds	-	-	-	-	4,500	-	4,500
Deferred Revenue	41,284	-	16,449	-	12,025	-	69,758
<b>Total Liabilities</b>	<b>51,402</b>	<b>34,452</b>	<b>16,964</b>	<b>2,453</b>	<b>20,668</b>	<b>-</b>	<b>125,939</b>
<b>Fund Balances</b>							
Reserved	-	-	-	-	-	-	-
Designated	104,302	-	-	-	-	-	104,302
Unreserved-Undesignated	(10,508)	11,834	667,121	56,264	46,065	411,879	1,182,655
<b>Total Fund Balances</b>	<b>93,794</b>	<b>11,834</b>	<b>667,121</b>	<b>56,264</b>	<b>46,065</b>	<b>411,879</b>	<b>1,286,957</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 145,196</b>	<b>\$ 46,286</b>	<b>\$ 684,085</b>	<b>\$ 58,717</b>	<b>\$ 66,733</b>	<b>\$ 411,879</b>	<b>\$ 1,412,896</b>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF HOMER**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**December 31, 2007**

---

<b>Governmental Fund Balance - December 31, 2007</b>	<b>\$ 1,286,957</b>
--	---------------------

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	\$ 5,444,522	
Less: Accumulated depreciation	<u>(2,970,756)</u>	2,473,766

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net current assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-Wide Statement of Net Assets	19,072
--	--------

Deferred revenues reported in governmental funds are recognized as revenues in the governmental activities	69,758
--	--------

Long-term liabilities are not due and payable in the current period and are not reported in the funds

Building Authority Bonds Payable	(56,000)	
Accumulated Vacation and Sick Leave	<u>(47,551)</u>	<u>(103,551)</u>

Net Assets of Governmental Activities	<b><u>\$ 3,746,002</u></b>
---------------------------------------	----------------------------

**VILLAGE OF HOMER**  
**GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended December 31, 2007**

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Library</u>	<u>Fire</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>							
Taxes and Penalties	\$301,029	\$ -	\$119,423	\$ -	\$ -	\$ 2,247	\$ 422,699
Licenses and Permits	5,866	-	-	-	-	-	5,866
Federal Grants	-	152,203	-	-	-	-	152,203
State Grants	212,554	89,514	35,342	3,558	-	-	340,968
Contributions from Local Units	-	-	-	66,955	87,399	24,050	178,404
Charges for Services	70,197	-	-	-	-	-	70,197
Fines and Forfeitures	2,837	-	-	17,581	-	-	20,418
Interest and Rentals	10,203	(551)	22,795	2,898	1,984	15,882	53,202
Other Revenue	23,420	11,163	416	3,458	897	19	39,173
<b>Total Revenues</b>	<u>626,106</u>	<u>252,319</u>	<u>177,977</u>	<u>94,450</u>	<u>90,080</u>	<u>42,198</u>	<u>1,283,130</u>
<b>Expenditures</b>							
Legislative	10,609	-	-	-	-	-	10,609
General Government	163,534	-	-	-	-	11,329	174,863
Public Safety	264,443	-	-	-	135,280	-	399,733
Public Works	42,757	408,153	83,469	-	-	-	534,379
Recreation and Cultural	17,005	-	-	149,316	-	304	166,625
Capital Outlay	33,582	-	-	7,999	2,872	-	44,453
Debt Service	-	-	-	-	-	11,200	11,200
<b>Total Expenditures</b>	<u>631,930</u>	<u>408,153</u>	<u>83,469</u>	<u>157,315</u>	<u>138,162</u>	<u>22,833</u>	<u>1,341,852</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>94,176</u>	<u>(155,834)</u>	<u>94,508</u>	<u>(62,865)</u>	<u>(48,082)</u>	<u>19,365</u>	<u>(58,732)</u>
<b>Other Financing Sources (Uses)</b>							
Proceeds from Sale of Fixed Assets	801	-	-	-	-	-	801
Operating Transfers In	25,423	127,253	-	32,640	57,707	16,789	259,812
Operating Transfers (Out)	(106,347)	-	(127,253)	-	-	(8,789)	(242,389)
<b>Total Other Financing Sources (Uses)</b>	<u>(80,123)</u>	<u>127,253</u>	<u>(127,253)</u>	<u>32,640</u>	<u>57,707</u>	<u>8,000</u>	<u>18,224</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>14,053</u>	<u>(28,581)</u>	<u>(32,745)</u>	<u>(30,225)</u>	<u>9,625</u>	<u>27,365</u>	<u>(40,508)</u>
<b>Fund Balance - January 1, 2007</b>	<u>79,741</u>	<u>40,415</u>	<u>699,865</u>	<u>86,489</u>	<u>36,440</u>	<u>384,514</u>	<u>1,327,465</u>
<b>Fund Balance - December 31, 2007</b>	<u>\$ 93,794</u>	<u>\$ 11,834</u>	<u>\$667,121</u>	<u>\$ 56,264</u>	<u>\$ 46,065</u>	<u>\$411,879</u>	<u>\$1,286,957</u>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF HOMER**  
**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2007**

---

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$ (40,508)</b>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		17,228
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		460
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces debt)		8,000
Allocation of internal service funds		(9,215)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets	\$ 356,770	
Less: Current year depreciation	178,158	
Less: Proceeds from Sale of Capital Asset	801	
Less: Loss from Sale of Capital Asset	<u>1,320</u>	<u>176,491</u>
<b>Change in Net Assets of Governmental Funds</b>		<b>\$ <u>152,456</u></b>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF HOMER**  
**PROPRIETARY FUNDS STATEMENT OF NET ASSETS**  
**December 31, 2007**

	Enterprise Funds		Total	Internal
	Sewer	Water	Enterprise	Service Fund
	System	System	Funds	Motor
				Pool
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ (8,737)	\$ (61,575)	\$ (70,312)	\$ 13,316
Receivables (Net)				
Accounts	70,252	40,099	110,351	-
Bond Issue Costs	-	15,752	15,752	-
Restricted Assets	295,538	126,463	422,001	-
Capital Assets (Net of				
Accumulated Depreciation)	<u>1,923,682</u>	<u>1,075,991</u>	<u>2,999,673</u>	<u>74,325</u>
Total Assets	<u>\$ 2,280,735</u>	<u>\$ 1,196,730</u>	<u>\$ 3,477,465</u>	<u>\$ 87,641</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	1,280	1,954	3,234	982
Due to Other Funds	113,203	3,012	116,215	67,587
Bonds Payable	<u>368,000</u>	<u>145,000</u>	<u>513,000</u>	<u>-</u>
Total Liabilities	<u>482,483</u>	<u>149,966</u>	<u>632,449</u>	<u>68,569</u>
<b>Net Assets</b>				
<b>Net Assets</b>				
Investment in Capital Assets,				
Net of Related Debt	1,555,682	930,991	2,486,673	74,325
Restricted for Debt Service	295,538	126,463	422,001	-
Unrestricted	<u>(52,968)</u>	<u>(10,690)</u>	<u>(63,658)</u>	<u>(55,253)</u>
Total Net Assets	<u>1,798,252</u>	<u>1,046,764</u>	<u>2,845,016</u>	<u>19,072</u>
Total Liabilities and Net Assets	<u>\$ 2,280,735</u>	<u>\$ 1,196,730</u>	<u>\$ 3,477,465</u>	<u>\$ 87,641</u>

The Notes to Financial Statements are an integral part of this statement.



**VILLAGE OF HOMER**  
**PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Year Ended December 31, 2007**

	<u>Enterprise Funds</u>		<u>Total</u>	<u>Internal</u>
	<u>Sewer</u>	<u>Water</u>	<u>Enterprise</u>	<u>Service Fund</u>
	<u>System</u>	<u>System</u>	<u>Funds</u>	<u>Motor</u>
				<u>Pool</u>
Operating Revenues				
Licenses and Permits	\$ -	\$ 500	\$ 500	\$ -
Charges for Services	287,140	173,942	461,082	81,272
Other Operating Revenue	234	12,561	12,795	248
Total Operating Revenues	<u>287,374</u>	<u>187,003</u>	<u>474,377</u>	<u>81,520</u>
Operating Expenses				
Salaries and Fringe Benefits	98,195	86,550	184,745	48,834
Supplies	7,150	10,909	18,059	2,479
Professional Services	2,832	17,422	20,254	2,669
Insurance and Bonds	3,724	2,165	5,889	500
Maintenance and Repairs	6,891	14,182	21,073	11,799
Gas and Oil	-	-	-	10,292
Miscellaneous	1,289	1,187	2,476	100
Equipment Rental	9,618	9,233	18,851	180
Transportation	299	250	549	210
Utilities	26,028	18,156	44,184	2,128
Depreciation	<u>108,374</u>	<u>31,665</u>	<u>140,039</u>	<u>11,819</u>
Total Operating Expenses	<u>264,400</u>	<u>191,719</u>	<u>456,119</u>	<u>91,010</u>
Operating Income	<u>22,974</u>	<u>(4,716)</u>	<u>18,258</u>	<u>(9,490)</u>
Nonoperating Revenues (Expenses)				
Interest Earned on Investments	13,584	4,459	18,043	275
Interest Expense	(20,400)	(5,375)	(25,775)	-
Operating Transfers (Out)	<u>(8,711)</u>	<u>(8,712)</u>	<u>(17,423)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(15,527)</u>	<u>(9,628)</u>	<u>(25,155)</u>	<u>275</u>
Change in Net Assets	7,447	(14,344)	(6,897)	(9,215)
Net Assets-January 1, 2007	<u>1,790,805</u>	<u>1,061,108</u>	<u>2,851,913</u>	<u>28,287</u>
Net Assets-December 31, 2007	<u>\$ 1,798,252</u>	<u>\$ 1,046,764</u>	<u>\$ 2,845,016</u>	<u>\$ 19,072</u>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF HOMER**  
**PROPRIETARY FUNDS STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2007

	<u>Enterprise Funds</u>		<u>Total</u>	<u>Internal</u>
	<u>Sewer</u>	<u>Water</u>	<u>Enterprise</u>	<u>Service Fund</u>
	<u>System</u>	<u>System</u>	<u>Funds</u>	<u>Motorpool</u>
Cash Flows From Operating Activities:				
Cash Charges for Services	\$ 277,155	\$ 174,263	\$ 451,418	\$ 81,272
Other Operating Revenue	234	12,561	12,795	248
Cash Payments to Employees for Services	(97,954)	(86,477)	(184,431)	(48,280)
Cash Payments to Suppliers for Goods and Services	<u>(64,093)</u>	<u>(77,756)</u>	<u>(141,849)</u>	<u>(30,784)</u>
Net Cash Provided by Operating Activities	<u>115,342</u>	<u>22,591</u>	<u>137,933</u>	<u>2,456</u>
Cash Flows From Capital and Related Financing Activities:				
Payment of Principal	(40,000)	(45,000)	(85,000)	-
Payment of Interest	(20,400)	(5,375)	(25,775)	-
Net Operating Transfers In (Out)	<u>(8,711)</u>	<u>(8,712)</u>	<u>(17,423)</u>	-
Net Cash Used by Capital and Related Financing Activities	<u>(69,111)</u>	<u>(59,087)</u>	<u>(128,198)</u>	-
Cash Flows From Investing Activities:				
Interest Earned on Cash Equivalents and Investments	13,584	4,459	18,043	275
Purchase of Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>13,584</u>	<u>4,459</u>	<u>18,043</u>	<u>275</u>
Net Increase in Cash and Cash Equivalents	59,815	(32,037)	27,778	2,731
Cash and Cash Equivalents at Beginning of the Year (Including \$269,765 in restricted sewer accounts) (Including \$142,117 in restricted water accounts)	<u>226,986</u>	<u>96,925</u>	<u>323,911</u>	<u>10,585</u>
Cash and Cash Equivalents at End of the Year (Including \$295,538 in restricted sewer accounts) (Including \$126,463 in restricted water accounts)	<u>\$ 286,801</u>	<u>\$ 64,888</u>	<u>\$ 351,689</u>	<u>\$ 13,316</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 22,974	\$ (4,716)	\$ 18,258	\$ (9,490)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	108,374	31,665	140,039	11,819
Decrease (Increase) in Accounts Receivable	(9,985)	(179)	(10,164)	-
Increase (Decrease) in Accounts Payable	(6,262)	(4,252)	(10,514)	(427)
Increase (Decrease) in Accrued Liabilities	241	73	314	554
Increase (Decrease) in Due to Other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>\$ 115,342</u>	<u>\$ 22,591</u>	<u>\$ 137,933</u>	<u>\$ 2,456</u>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF HOMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2007**

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Village of Homer conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Homer:

**REPORTING ENTITY**

The Village of Homer was incorporated as a village in 1871 and is situated in the southeastern corner of Calhoun County. The Village operates under an elected council of seven members and provides services to its almost 2,000 residents in many areas including police and fire protection and highway and street maintenance. Education services are provided to citizens through several local school districts that are separate governmental entities. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Village, there are no component units to be included in these financial statements.

**JOINT VENTURES**

**South Central Michigan Construction Code Inspection**

The Village of Homer is a member of the South Central Michigan Construction Code Inspection, Incorporated, which is organized to administer and enforce certain construction codes and ordinances adopted by each of the member municipalities. SCMCCI consists of several member municipalities in Michigan. Each participating municipality selects a representative to SCMCCI. These include City of Albion, Village of Athens, Brady Township, Burlington Township, Burr Oak Township, Burr Oak Village, Colon Township, Convis Township, Village of Homer, Homer Township, Leonidas Township, Lockport Township, NHPB-Indian Housing Authority, Park Township, Sherman Township, Village of Springport and Tuscola Township. SCMCCI charges homeowners and builders a fee for permits and inspections. The members do not have an ownership interest in SCMCCI, and are not entitled to any share of net assets as a result of termination of membership.

The following financial information of the joint venture is as of and for the year ending September 30, 2007:

Total Assets	\$ 157,310	Total Revenues	\$ 856,531
Total Liabilities	\$ 34,898	Total Expenditures	\$ 796,767
Total Net Assets	\$ 122,412	Increase (Decrease) in Net Assets	\$ 59,764
Total Joint Venture Outstanding Debt	\$ -		

Complete financial statements for the joint venture may be obtained from:

Jerry Stonebraker  
Village of Homer  
203 N Main Street  
Homer, MI 49073  
517-568-4321

**VILLAGE OF HOMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2007**

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state grants, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual; therefore, they have been recognized as revenue in the current fiscal period. All other revenues are considered to be measurable only when the Village receives cash.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

**Taxes Receivable** - The Village property tax is levied on each July 1<sup>st</sup> based on the taxable valuation of property located in the Village as of the preceding December 31<sup>st</sup>.

It is the Village's policy to recognize revenue from the current tax levy in the year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

**VILLAGE OF HOMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2007**

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**  
**(Continued)**

The 2007 State taxable valuation of the Village totaled \$26,291,944 on which ad valorem taxes levied consisted of 11.3748 mills for Village operating purposes and 4.5499 mills for Village street operations, raising \$299,062 for operating and \$120,913 for street operations. The amounts recognized in the General Fund financial statements as current property tax revenue represent 2007 taxes collected and 2006 delinquent taxes collected in the current fiscal year.

The Village reports the following major governmental funds:

- The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.
- The Major Street Fund accounts for the maintenance of all major streets and trunk lines. Financing is provided by special revenues from provisions of Act 51 of 1951 as amended.
- The Local Street Fund accounts for the maintenance of all local streets. Financing is provided by special revenues from provisions of Act 51 of 1951 as amended.
- The Library Fund accounts for the revenue and expenses for the operation of the library.
- The Fire Fund accounts for the revenue and expenses for the operation of the fire department.

The Village reports the following major proprietary funds:

- The Water Fund accounts for the operation and maintenance of the water supply system, capital additions, and retirement of revenue bonds. Financing is provided by user charges and contributions by other funds and customers.
- The Sewer Fund accounts for the operation and maintenance of the sewage disposal system, capital additions, and improvements and retirement of revenue bonds. Financing is provided by user charges and contributions by other funds and customers.

Additionally, the government reports the following fund types:

- The Internal Service Funds account for major machinery and equipment purchases and maintenance provided to other departments of the government on a cost reimbursement basis.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The Village has elected not to follow private-sector standards.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**VILLAGE OF HOMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2007**

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)**

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering products in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current cost (e.g., labor and materials to hook up new customers) as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

**Bank Deposits and Investments** - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1<sup>st</sup> based on the taxable valuation of property located in the Village as of the preceding December 31<sup>st</sup>. These taxes are due on August 31 with the final collection date of September 15. After that date, they are added to the county's delinquent tax rolls.

The delinquent real property taxes of the Village are purchased by Calhoun County. These taxes have been recorded as deferred revenue in the fund financial statements for the current year since they are not available to fund expenditures of the current period.

**Designated Assets** - The Village has designated assets for public safety, community interest and equipment. By designating a portion of fund balance for a specific purpose, the Village Council has established a policy that the amounts designated are to be used for a specific purpose. The Village Council can change the amounts so designated if they desire.

**Restricted Assets** - The Village has restricted assets for building authority. By restricting a portion of the fund balance for a specific purpose, the Village has limited the use of the funds for that specific purpose only. The Village Council cannot change the amounts restricted and cannot spend the restricted funds for anything other than building authority. The revenue bonds of the enterprise funds require amounts to be set-aside for debt service principal and interest, capital improvements and a bond reserve. These amounts have been classified as restricted assets.

**Retained Earnings Reserve** - In the Sewer and Water System funds, certain amounts of the retained earnings are reserved for bond and interest redemption and capital improvements. The amounts of the reserves are established by bond ordinances. Any use of the reserve balances would be a violation of the bond ordinances.

**VILLAGE OF HOMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2007**

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)**

**Capital Assets** - Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

**General Assets**

Buildings and Improvements	20 to 60 years
Water and Sewer Lines	50 to 75 years
Furniture	5 to 10 years
Data Processing Equipment	2 to 7 years
Equipment	2 to 7 years

**Infrastructure Assets**

Road	8 to 30 years
Sidewalks	10 to 30 years
Bridges	12 to 50 years
Drains, Curbs, Gutters	8 to 40 years

**Compensated Absences (Vacation and Sick Leave)** - Vacation pay is earned by all full time employees according to the length of their employment and is available for use annually, not on an accrual basis. Vacation time is paid at the employee's current pay rate and must be used in the year available. Any unused vacation time at the nearest pay date to their anniversary date is paid out to the employee's current rate of pay. Upon termination of employment, employees will be paid for all unused vacation time.

Full time employees earn personal time of twenty-four hours each year. Personal time is earned based on the employee's anniversary date. Employees may not accumulate personal time from year-to-year.

Sick leave time is earned at the rate of twelve days per year by full time employees. Sick leave is paid at the employee's current rate of pay and benefits can accumulate to a maximum of 60 days. Sick leave accrued is to be paid to the employees for any unused accumulated sick leave at the time of termination of employment for any reason.

**Long-Term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**VILLAGE OF HOMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2007**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)**

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**ENCUMBRANCE ACCOUNTING**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village of Homer.

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information** - Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The Village Board prepares the annual budgets prior to December 31. A Public Hearing is conducted to obtain taxpayers' comments. The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level, except for the Library and Fire funds, which are the line item level.

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS**

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended December 31, 2007, the Village incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<b>FUND</b>	<b>BUDGET APPROPRIATION</b>	<b>ACTUAL EXPENDITURE</b>	<b>BUDGET VARIANCE</b>
General			
Public Works:			
Street Lighting	\$ 31,580	\$ 33,674	\$ 2,094
Recreational and Cultural:			
Promotional	\$ 5,168	\$ 6,557	\$ 1,389
Local Street:			
Street Routine Maintenance	\$ 11,981	\$ 46,554	\$ 34,573
Library:			
Telephone	\$ 2,000	\$ 2,046	\$ 46
Contracted Services	\$ 3,622	\$ 4,004	\$ 382
Transportation	\$ 500	\$ 580	\$ 80
Miscellaneous	\$ 1,291	\$ 1,605	\$ 314
Fire:			
Miscellaneous	\$ -	\$ 1,645	\$ 1,645
Utilities	\$ 7,900	\$ 8,588	\$ 688
Capital Outlay	\$ 870	\$ 2,872	\$ 2,002



**VILLAGE OF HOMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2007**

**DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws Section 129.91, authorizes the Village to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village has designated one bank and two investment companies for the deposit of the Village of Homer funds.

The Village's deposits and investments are in accordance with statutory authority.

At year-end, the Village's deposits and investments were reported in the basic financial statements in the following categories:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>FIDUCIARY FUNDS</u>	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents	\$ 413,185	\$ (70,312)	\$ -	\$ 342,873
Investments	576,632	-	-	576,632
Restricted Assets	61,383	422,001	-	483,384
Total	<u>\$ 1,051,200</u>	<u>\$ 351,689</u>	<u>\$ -</u>	<u>\$ 1,402,889</u>

The breakdown between deposits and investments is as follows:

	<u>PRIMARY GOVERNMENT</u>
Bank Deposits	\$ 1,402,789
(Checking and Savings Accounts, Certificates of Deposit)	
Investment in Securities	-
(Mutual Funds and Similar Vehicles)	
Petty Cash and Cash on Hand	100
Total	<u>\$ 1,402,889</u>

Custodial credit risk is the risk that the Village will not be able to recover its deposits in the event of financial institution failure. The Village's deposits are exposed to custodial credit risk if they are not covered by federal depository or securities investor insurance and are uncollateralized. At December 31, 2007, the Village had deposits with a carrying amount of \$1,402,789 and a bank balance of \$1,403,351. Of the bank balance, \$408,016 is covered by federal depository or securities investor insurance, \$995,335 is uninsured and \$0 is collateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of the FDIC and SIPC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The Village's investment policy does not identify interest rate risk, foreign currency risk or concentration of credit risk.

**VILLAGE OF HOMER**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2007

**CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

	<b><u>BEGINNING BALANCE</u></b>	<b><u>INCREASES</u></b>	<b><u>DECREASES</u></b>	<b><u>ENDING BALANCE</u></b>
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 75,676	\$ -	\$ -	\$ 75,676
Subtotal	<u>75,676</u>	<u>-</u>	<u>-</u>	<u>75,676</u>
Capital Assets Being Depreciated				
Buildings	2,443,437	-	-	2,443,437
Furniture	119,950	-	-	119,950
Equipment	2,408,013	35,845	1,001	2,442,857
Data Processing Equipment	40,700	8,608	4,800	44,508
Infrastructure	<u>184,910</u>	<u>312,317</u>	<u>-</u>	<u>497,227</u>
Subtotal	<u>5,197,010</u>	<u>356,770</u>	<u>5,801</u>	<u>5,547,979</u>
Less Accumulated Depreciation for				
Buildings	1,285,436	50,466	-	1,335,902
Furniture	68,262	8,776	-	77,038
Equipment	1,488,861	113,935	1,000	1,601,796
Data Processing Equipment	29,775	3,815	2,680	30,910
Infrastructure	<u>16,933</u>	<u>12,985</u>	<u>-</u>	<u>29,918</u>
Subtotal	<u>2,889,267</u>	<u>189,977</u>	<u>3,680</u>	<u>3,075,564</u>
Net Capital Assets Being Depreciated	<u>2,307,743</u>	<u>166,793</u>	<u>2,121</u>	<u>2,472,415</u>
<b>Governmental Activities Total</b>				
Capital Assets-Net of Depreciation	<u>\$2,383,419</u>	<u>\$ 166,793</u>	<u>\$ 2,121</u>	<u>\$2,548,091</u>

**VILLAGE OF HOMER**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2007

**CAPITAL ASSETS** (Continued)

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
<b>Business-Type Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 152,000	\$ -	\$ -	\$ 152,000
Subtotal	<u>152,000</u>	<u>-</u>	<u>-</u>	<u>152,000</u>
Capital Assets Being Depreciated				
Buildings	322,107	-	-	322,107
Equipment	48,263	-	-	48,263
Sewer Plant	3,625,736	-	-	3,625,736
Infrastructure	<u>2,634,798</u>	<u>-</u>	<u>-</u>	<u>2,634,798</u>
Subtotal	<u>6,630,904</u>	<u>-</u>	<u>-</u>	<u>6,630,904</u>
Less Accumulated Depreciation for				
Buildings	296,718	2,752	-	299,470
Equipment	24,839	2,840	-	27,679
Sewer Plant	1,754,076	104,910	-	1,858,986
Infrastructure	<u>1,567,559</u>	<u>29,537</u>	<u>-</u>	<u>1,597,096</u>
Subtotal	<u>3,643,192</u>	<u>140,039</u>	<u>-</u>	<u>3,783,231</u>
Net Capital Assets Being Depreciated	<u>2,987,712</u>	<u>(140,039)</u>	<u>-</u>	<u>2,847,673</u>
Business-Type Activities Total Capital Assets-Net of Depreciation	<u>\$ 3,139,712</u>	<u>\$ (140,039)</u>	<u>\$ -</u>	<u>\$ 2,999,673</u>

Depreciation expense was charged to programs of the Village as follows:

**Governmental Activities**

General Government	\$ 4,418
Public Safety	125,403
Public Works	12,985
Recreation and Cultural	35,352
Motorpool	<u>11,819</u>

Total Government Activities \$ 189,977

**Business-Type Activities**

Water	\$ 31,665
Sewer	<u>108,374</u>

Total Business-Type Activities \$ 140,039

**VILLAGE OF HOMER**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2007

**INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances is as follows:

<u>FUND</u>	<u>RECEIVABLES</u>	<u>FUND</u>	<u>PAYABLES</u>
General Fund	\$ 5,915	Fire Fund	\$ 4,500
Local Street	177,887	Motorpool	67,587
Building Authority	<u>4,500</u>	Water Fund	3,012
		Sewer Fund	<u>113,203</u>
	\$ <u>188,302</u>		\$ <u>188,302</u>
<u>FUND</u>	<u>TRANSFERS IN</u>	<u>FUND</u>	<u>TRANSFERS OUT</u>
General	\$ 25,423	General	\$ 106,347
Major Streets	127,253	Local Streets	127,253
Library	32,640	Parks Maintenance	8,000
Fire	57,707	Park System	789
Parks Maintenance	789	Sewer	8,711
Fire Truck	<u>16,000</u>	Water	<u>8,712</u>
	\$ <u>259,812</u>		\$ <u>259,812</u>

The interfund receivables and payables represent money owed to the funds for expenses paid by other funds for various expenses. Transfers were used to move revenues from the fund that is required to collect them to the fund where expenditures were expended and to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. In addition, the local street fund is allowed under Act 51 to share a portion of its tax revenues with the major street fund. Transfers out of sewer and water represent fees in lieu of taxes.

**LONG-TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

**VILLAGE OF HOMER**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2007

**LONG-TERM DEBT** (Continued)

The following is a summary of the debt outstanding of the Village of Homer as of December 31, 2007:

	<u>INTEREST RATE</u>	<u>PRINCIPAL MATURES</u>	<u>BEGINNING BALANCE</u>	<u>ADDITION (REDUCTIONS)</u>	<u>ENDING BALANCE</u>	<u>DUE WITHIN ONE YEAR</u>
<b>Primary Government</b>						
<b>Governmental Activities</b>						
Budding Authority Bonds	5.00%	2015	\$ 64,000	\$ (8,000)	\$ 56,000	\$ 8,000
<b>Other Liabilities</b>						
Compensated Absences	-	-	48,011	(460)	47,551	47,551
<b>Total Governmental Activities</b>			<b>\$ 112,011</b>	<b>\$ (8,460)</b>	<b>\$ 103,551</b>	<b>\$ 55,551</b>
<b>Business-Type Activities</b>						
<b>Revenue Bonds</b>						
2004 Water System	2.00-3.25%	2010	\$ 190,000	\$ (45,000)	\$ 145,000	\$ 45,000
Sewer Contracts	5.00%	2017	408,000	(40,000)	368,000	40,000
<b>Total Business-Type Activities</b>			<b>\$ 598,000</b>	<b>\$ (85,000)</b>	<b>\$ 513,000</b>	<b>\$ 85,000</b>

The compensated absence liability attributable to the governmental activities will be liquidated by the Village's governmental funds. The annual requirements to pay principal and interest on long-term bonds outstanding for the primary government are as follows:

<u>Year End December 31</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 8,000	\$ 3,000	\$ 85,000	\$ 22,763
2009	8,000	2,601	90,000	19,527
2010	8,000	2,200	90,000	16,027
2011	8,000	1,801	40,000	13,400
2012	8,000	1,400	40,000	11,400
2013-2017	16,000	1,801	168,000	25,400
<b>Total</b>	<b>\$ 56,000</b>	<b>\$ 12,803</b>	<b>\$ 513,000</b>	<b>\$ 108,517</b>

**RISK MANAGEMENT**

The Village is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village manages its risk exposure and provides certain employee benefits thorough a combination of risk management pools and commercial insurance.

The Village participates in the Michigan Municipal League for general and automobile liability, motor vehicle physical damage, property damage, and workers compensation coverages. The Michigan Municipal Liability and Property Pool were established pursuant to laws of the State of Michigan, which authorizes local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the pool is to jointly exercise powers common to each participating member to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect any member of the authority against liability or loss.

**VILLAGE OF HOMER  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2007**

---

**RISK MANAGEMENT (Continued)**

The Michigan Municipal Liability and Property Pool, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Michigan Municipal Liability and Property Pool. Due to this reinsurance purchase, there is no pooling of risk between members.

The Michigan Municipal Liability and Property Pool chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

The individual members are responsible for their self-retention amounts (deducibles) that vary from member to member.

The Village also provides employee benefits through the Michigan Municipal League with programs underwritten by commercial insurance carriers.

At December 31, 2007, there were no claims, which exceeded insurance coverage. The Village had no significant reduction in insurance coverage from previous years.

**RETIREMENT PLAN**

The Village has a defined benefit pension plan covering substantially all full-time employees. The plan is operated by the State of Michigan Municipal Employees Retirement System (MERS), which is a cost sharing, multiple-employer retirement system. MERS issues a publicly available financial report that includes financial statements and requires supplemental information. The report may be obtained by writing to the System at 1147 Municipal Way, Lansing, MI 48917.

The pension plan provides pension, death and disability benefits. Benefits vest after 10 years of service. Normal retirement is based on one of the following requirements:

1. Age 60 and 10 or more years of credited service.
2. Age 55 and 15 or more years of credited service (reduced benefit).
3. Age 50 and 25 or more years of credited service (reduced benefit).

**Pension Benefit Obligation**

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2006. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increase of 4.5% per year, (c) additional projected salary increases based on an age related scale to reflect seniority/merit, (d) the assumption that benefits will increase 2.5% per year (annually) after retirement, and (e) withdrawal rates based on years of service for members less than five years of service, and based on age for members over five years of service. Both (a) and (b) include an inflation assumption of 4.5% per year. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a ten-year period. The standard amortization period to fund the unfunded liability is 25 years for positive unfunded liabilities, and 10 years for negative unfunded liabilities (assets exceed liabilities).

**VILLAGE OF HOMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2007**

---

**RETIREMENT PLAN (Continued)**

**Contributions Required and Contributions Made**

MERS funding policy provides for periodic employer contributions at actuarially determined rates using the entry age normal method that, expressed as a percentage of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The Village has not made any contributions for the eight years preceding January 1, 2003. Under the Accelerated Funding Credits Program, municipalities with funding percentages that exceed 110% are not required to make annual contributions.

The funding percentage is based on the ratio of assets (at actuarial value) to the actuarial accrued liabilities. The Village's funding percentages have exceeded 110% for the preceding eight years.

Three-year trend information as of December 31 follows:

	2006	2005	2004
Annual Pension Cost	\$ 16,864	\$ 6,321	\$ 4,745
Percentage of APC Contributed	100.00%	100.00%	100.00%
Net Pension Obligation	-	-	-
(A) Actuarial Value of Assets	1,010,956	944,531	907,436
(B) Actuarial Accrued Liability	916,619	813,011	744,518
(C) Excess of Assets Over AAL (A)-(B)	94,337	131,520	162,918
(D) Funded Ratio (A)/(B)	110.30%	116.18%	121.88%
(E) Covered Payroll	357,177	362,756	315,653
(F) Excess Percentage of Covered Payroll (C)/(E)	26.42%	36.26%	36.51%

**DEFERRED COMPENSATION PLAN**

The Village offers an optional deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan is available to one employee and allows the participant to defer a portion of current income to further years to shelter such funds and earning from state and federal taxation until withdrawal. The deferred compensation is not available to the participant until the employee's termination, retirement, death or unforeseeable emergency.

The plan is administered through a third-party administrator. The Village does not perform the investing function and has no fiduciary accountability for the plan. Thus, plan assets and any related liabilities to the plan participant have been excluded from the Village's basic financial statements.

**VILLAGE OF HOMER**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For the Year Ended December 31, 2007

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 79,741	\$ 79,741	\$ 79,741	\$ -
Resources (Inflows)				
Taxes and Penalties	298,200	301,027	301,029	2
Licenses and Permits	5,300	6,070	5,866	(204)
State Grants	221,000	212,651	212,554	(97)
Charges for Services	72,766	72,766	70,197	(2,569)
Fines and Forfeitures	4,350	4,450	2,837	(1,613)
Interest and Rentals	12,400	12,200	10,203	(1,997)
Other Revenue	<u>11,300</u>	<u>31,340</u>	<u>23,420</u>	<u>(7,920)</u>
Total Resources	<u>625,316</u>	<u>640,504</u>	<u>626,106</u>	<u>(14,398)</u>
Charges to Appropriations (Outflows)				
Legislative	10,180	11,290	10,609	681
General Government				
President	17,842	28,344	28,041	303
Election	1,650	1,676	1,673	3
Accounting Department	23,595	23,973	23,731	242
Audit	2,500	15,720	10,682	5,038
Attorney	4,000	15,500	14,275	1,225
Clerk	21,480	20,741	18,037	2,704
Treasurer	22,030	19,891	17,306	2,585
Buildings and Grounds	33,370	52,064	49,789	2,275
Public Safety				
Police	287,185	264,484	262,986	1,498
Planning and Zoning	1,500	1,500	1,457	43
Public Works				
Street Lighting	31,000	31,580	33,674	(2,094)
Sidewalk Replacement	9,070	10,286	9,075	1,211
Locally Administered Streets	4,422	4,326	8	4,318
Recreational and Cultural				
Parks	16,320	11,285	10,448	837
Promotional	5,307	5,168	6,557	(1,389)
Capital Outlay	<u>42,100</u>	<u>34,990</u>	<u>33,582</u>	<u>1,408</u>
Total Charges to Appropriations	<u>533,551</u>	<u>552,818</u>	<u>531,930</u>	<u>20,888</u>



**VILLAGE OF HOMER**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)**  
**For the Year Ended December 31, 2007**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Excess of Resources Over (Under) Appropriations	<u>91,765</u>	<u>87,686</u>	<u>94,176</u>	<u>6,490</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Fixed Asset	-	2,402	801	(1,601)
Operating Transfers In	25,423	42,965	25,423	(17,542)
Operating Transfers (Out)	<u>(106,348)</u>	<u>(106,348)</u>	<u>(106,347)</u>	<u>1</u>
Total Other Financing Sources (Uses)	<u>(80,925)</u>	<u>(60,981)</u>	<u>(80,123)</u>	<u>(19,142)</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>10,840</u>	<u>26,705</u>	<u>14,053</u>	<u>(12,652)</u>
Budgetary Fund Balance - December 31, 2007	<u>\$ 90,581</u>	<u>\$ 106,446</u>	<u>\$ 93,794</u>	<u>\$ (12,652)</u>

**VILLAGE OF HOMER**  
**BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND**  
**For the Year Ended December 31, 2007**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 40,415	\$ 40,415	\$ 40,415	\$ -
Resources (Inflows)				
Federal Grants	386,024	386,024	152,203	(233,821)
State Grants	383,405	383,405	89,514	(293,891)
Interest and Rentals	4,900	4,900	(561)	(5,461)
Other Revenue	<u>-</u>	<u>-</u>	<u>11,163</u>	<u>11,163</u>
Total Resources	<u>774,329</u>	<u>774,329</u>	<u>252,319</u>	<u>(522,010)</u>
Charges to Appropriations (Outflows)				
Public Works				
Street Administration	23,274	37,657	24,590	13,067
Street Routine Maintenance	58,434	62,314	52,226	10,088
Street Winter Maintenance	13,965	12,802	11,719	1,083
Traffic Services	3,792	2,592	1,107	1,485
Trees	12,409	9,354	7,994	1,360
Street Construction	<u>941,892</u>	<u>927,392</u>	<u>310,517</u>	<u>616,875</u>
Total Charges to Appropriations	<u>1,053,766</u>	<u>1,052,111</u>	<u>408,153</u>	<u>643,958</u>
Excess of Resources Over (Under) Appropriations	<u>(279,437)</u>	<u>(277,782)</u>	<u>(155,834)</u>	<u>121,948</u>
Other Financing Sources (Uses):				
Operating Transfers In	281,416	281,416	127,253	
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>281,416</u>	<u>281,416</u>	<u>127,253</u>	<u>(154,163)</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>1,979</u>	<u>3,634</u>	<u>(28,581)</u>	<u>(32,215)</u>
Budgetary Fund Balance - December 31, 2007	<u>\$ 42,394</u>	<u>\$ 44,049</u>	<u>\$ 11,834</u>	<u>\$ (32,215)</u>

**VILLAGE OF HOMER**  
**BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND**  
For the Year Ended December 31, 2007

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 699,866	\$ 699,866	\$ 699,866	\$ -
Resources (Inflows)				
Taxes and Penalties	100,000	100,000	119,423	19,423
State Grants	34,000	34,000	35,342	1,342
Interest and Rentals	14,500	14,500	22,796	8,296
Other Revenue	<u>600</u>	<u>600</u>	<u>416</u>	<u>(184)</u>
Total Resources	<u>149,100</u>	<u>149,100</u>	<u>177,977</u>	<u>28,877</u>
Charges to Appropriations (Outflows)				
Public Works				
Street Administration	21,442	23,329	17,721	5,608
Street Routine Maintenance	12,386	11,981	46,554	(34,573)
Street Winter Maintenance	12,485	12,490	8,174	4,316
Traffic Services	4,235	3,913	1,455	2,458
Trees	13,931	13,731	7,765	5,966
Street Construction	<u>71,520</u>	<u>70,555</u>	<u>1,800</u>	<u>68,755</u>
Total Charges to Appropriations	<u>135,999</u>	<u>135,999</u>	<u>83,469</u>	<u>52,530</u>
Excess of Resources Over (Under) Appropriations	<u>13,101</u>	<u>13,101</u>	<u>94,508</u>	<u>81,407</u>
Other Financing Sources (Uses):				
Operating Transfers In	10,000	10,000	-	(10,000)
Operating Transfers Out	<u>(281,416)</u>	<u>(281,416)</u>	<u>(127,253)</u>	<u>154,163</u>
Total Other Financing Sources (Uses)	<u>(271,416)</u>	<u>(271,416)</u>	<u>(127,253)</u>	<u>144,163</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>(258,315)</u>	<u>(258,315)</u>	<u>(32,745)</u>	<u>225,570</u>
Budgetary Fund Balance - December 31, 2007	<u>\$ 441,551</u>	<u>\$ 441,551</u>	<u>\$ 667,121</u>	<u>\$ 225,570</u>

**VILLAGE OF HOMER**  
**BUDGETARY COMPARISON SCHEDULE - LIBRARY FUND**  
**For the Year Ended December 31, 2007**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 86,489	\$ 86,489	\$ 86,489	\$ -
Resources (Inflows)				
State Grants	3,000	3,320	3,558	238
Contributions from Local Units	90,200	85,535	66,955	(18,580)
Fines and Forfeits	16,400	17,817	17,581	(236)
Interest and Rentals	500	2,400	2,898	498
Other Revenue	<u>2,560</u>	<u>4,637</u>	<u>3,458</u>	<u>(1,179)</u>
Total Resources	<u>112,660</u>	<u>113,709</u>	<u>94,450</u>	<u>(19,259)</u>
Charges to Appropriations (Outflows)				
Recreation and Cultural:				
Wages and Fringes	108,065	112,115	111,962	153
Training	1,200	415	413	2
Supplies	8,000	4,746	2,743	2,003
Books and Magazines	11,000	11,000	10,992	8
Telephone	1,900	2,000	2,046	(46)
Contracted Services	3,300	3,622	4,004	(382)
Professional Services	2,700	2,700	1,157	1,543
Promotional	800	1,405	1,404	1
Printing and Publishing	75	130	130	-
Insurance	2,100	2,100	2,100	-
Transportation	400	500	580	(80)
Maintenance and Repairs	825	2,435	2,341	94
Miscellaneous	-	1,291	1,605	(314)
Utilities	9,400	7,900	7,839	61
Capital Outlay	<u>1,000</u>	<u>8,999</u>	<u>7,999</u>	<u>1,000</u>
Total Charges to Appropriations	<u>150,765</u>	<u>161,358</u>	<u>157,315</u>	<u>4,043</u>
Excess of Resources Over (Under) Appropriations	<u>(38,105)</u>	<u>(47,649)</u>	<u>(62,865)</u>	<u>(15,216)</u>

**VILLAGE OF HOMER**  
**BUDGETARY COMPARISON SCHEDULE - LIBRARY FUND (Continued)**  
**For the Year Ended December 31, 2007**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Other Financing Sources (Uses):				
Operating Transfers In	<u>32,640</u>	<u>32,640</u>	<u>32,640</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>32,640</u>	<u>32,640</u>	<u>32,640</u>	<u>-</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>(5,465)</u>	<u>(15,009)</u>	<u>(30,225)</u>	<u>(15,216)</u>
Budgetary Fund Balance - December 31, 2007	<u>\$ 81,024</u>	<u>\$ 71,480</u>	<u>\$ 56,264</u>	<u>\$ (15,216)</u>

**VILLAGE OF HOMER**  
**BUDGETARY COMPARISON SCHEDULE - FIRE FUND**  
**For the Year Ended December 31, 2007**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 36,440	\$ 36,440	\$ 36,440	\$ -
Resources (Inflows)				
Contributions from Local Units	127,445	127,445	87,399	(40,046)
Interest and Rentals	250	250	1,984	1,734
Other Revenue	<u>375</u>	<u>375</u>	<u>697</u>	<u>322</u>
Total Resources	<u>128,070</u>	<u>128,070</u>	<u>90,080</u>	<u>(37,990)</u>
Charges to Appropriations (Outflows)				
Public Safety:				
Wages and Fringes	64,600	59,000	58,426	574
Training	500	2,300	1,244	1,056
Supplies	5,500	3,500	2,556	944
Telephone	1,450	1,450	967	483
Fire Prevention	1,500	1,500	-	1,500
Professional Fees	100	3,810	2,957	853
Printing and Publishing	250	450	317	133
Insurance and Bonds	42,000	42,000	42,000	-
Repairs and Maintenance	8,600	14,970	14,005	965
Gas and Oil	3,000	3,000	2,585	415
Miscellaneous	-	-	1,645	(1,645)
Rent	4,500	4,500	-	4,500
Utilities	7,400	7,900	8,588	(688)
Capital Outlay	<u>5,850</u>	<u>870</u>	<u>2,872</u>	<u>(2,002)</u>
Total Charges to Appropriations	<u>145,250</u>	<u>145,250</u>	<u>138,162</u>	<u>7,088</u>
Excess of Resources Over (Under) Appropriations	<u>(17,180)</u>	<u>(17,180)</u>	<u>(48,082)</u>	<u>(30,902)</u>
Other Financing Sources (Uses):				
Operating Transfers In	<u>-</u>	<u>-</u>	<u>57,707</u>	<u>57,707</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>57,707</u>	<u>57,707</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>(17,180)</u>	<u>(17,180)</u>	<u>9,625</u>	<u>26,805</u>
Budgetary Fund Balance - December 31, 2007	<u>\$ 19,260</u>	<u>\$ 19,260</u>	<u>\$ 46,065</u>	<u>\$ 26,805</u>

**VILLAGE OF HOMER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended December 31, 2007**

<b>REVENUES</b>	<b>ORIGINAL BUDGET</b>	<b>AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE WITH AMENDED BUDGET</b>
Taxes and Penalties				
Property Taxes			\$ 296,762	
Collection Fees			4,267	
Total Taxes and Penalties	\$ 298,200	\$ 301,027	301,029	\$ 2
Licenses and Permits				
Franchise Fees			4,071	
Liquor License Fees			1,790	
Other Permits			5	
Total Licenses and Permits	5,300	6,070	5,866	(204)
State Grants				
State Revenue Sharing:				
Sales Tax			212,554	
Total State Grants	221,000	212,651	212,554	(97)
Charges for Services				
Charges for Services			297	
Salvage Fees			69,900	
Total Charges for Services	72,766	72,766	70,197	(2,569)
Fines and Forfeitures	4,350	4,450	2,837	(1,613)
Interest and Rentals				
Interest			(1,172)	
Rentals			11,375	
Total Interest and Rentals	12,400	12,200	10,203	(1,997)
Other Revenue				
Miscellaneous			(3,203)	
Donations			1,500	
Refunds and Rebates			25,123	
Total Other Revenue	11,300	31,340	23,420	(7,920)
Total Revenues	625,316	640,504	626,106	(14,398)

**VILLAGE OF HOMER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended December 31, 2007**

<b>EXPENDITURES</b>	<b>ORIGINAL BUDGET</b>	<b>AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE WITH AMENDED BUDGET</b>
<b>Legislative:</b>				
Salaries - Village Council			5,258	
Payroll Taxes			403	
Fringe Benefits			655	
Professional Fees			1,640	
Printing and Postage			1,992	
Miscellaneous			66	
Maintenance and Repairs			595	
<b>Total Legislative</b>	<b>12,180</b>	<b>12,070</b>	<b>10,609</b>	<b>1,461</b>
<b>General Government:</b>				
Village President:				
Salary			17,255	
Payroll Taxes			1,338	
Fringe Benefits			4,320	
Education			439	
Supplies			1,161	
Telephone			1,284	
Professional Services			620	
Transportation			240	
Maintenance and Repairs			729	
Utilities			655	
<b>Total Village President</b>	<b>17,942</b>	<b>28,344</b>	<b>28,041</b>	<b>303</b>
<b>Elections</b>	<b>1,650</b>	<b>1,676</b>	<b>1,673</b>	<b>3</b>
<b>Accounting Department:</b>				
Salary			10,798	
Payroll Taxes			797	
Fringe Benefits			7,922	
Education			244	
Supplies			458	
Telephone			395	
Professional Services			225	
Miscellaneous			70	
Transportation			29	
Maintenance and Repairs			2,138	
Utilities			655	
<b>Total Accounting Department</b>	<b>23,895</b>	<b>23,973</b>	<b>23,731</b>	<b>242</b>
<b>Audit</b>	<b>2,500</b>	<b>15,720</b>	<b>10,682</b>	<b>5,038</b>
<b>Attorney</b>	<b>4,000</b>	<b>15,500</b>	<b>14,275</b>	<b>1,225</b>



**VILLAGE OF HOMER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended December 31, 2007**

<b>EXPENDITURES (Continued)</b>	<b>ORIGINAL BUDGET</b>	<b>AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE WITH AMENDED BUDGET</b>
Village Clerk:				
Salary			9,791	
Payroll Taxes			735	
Fringe Benefits			4,389	
Education			100	
Supplies			423	
Telephone			605	
Professional Services			97	
Printing and Postage			70	
Insurance			500	
Transportation			60	
Maintenance and Repairs			612	
Utilities			655	
Total Village Clerk	21,830	20,841	18,037	2,804
Treasurer:				
Salary			9,791	
Payroll Taxes			736	
Fringe Benefits			4,323	
Education			100	
Supplies			491	
Telephone			402	
Professional Services			320	
Transportation			30	
Insurance			500	
Maintenance and Repairs			613	
Total Treasurer	22,380	19,991	17,306	2,685
Buildings and Grounds:				
Maintenance Wages			2,116	
Payroll Taxes			161	
Fringe Benefits			2,561	
Supplies			1,653	
Telephone			771	
Professional Services			6,107	
Equipment Rental			933	
Insurance			3,614	
Maintenance and Repairs			22,845	
Utilities			9,028	
Total Buildings and Grounds	33,370	52,064	49,789	2,275
Total General Government	127,567	178,109	163,534	14,575

**VILLAGE OF HOMER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended December 31, 2007**

<u>EXPENDITURES (Continued)</u>	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
<b>Public Safety:</b>				
Police:				
Salaries and Wages			139,629	
Payroll Taxes			10,657	
Fringes			44,124	
Education			1,962	
Supplies			2,631	
Telephone			3,280	
Professional Services			30,490	
Printing and Postage			542	
Insurance			13,572	
Auto			9,106	
Miscellaneous			2,270	
Maintenance and Repairs			3,204	
Uniforms			553	
Utilities			966	
Capital Outlay			33,582	
Total Police	326,185	298,494	296,568	1,926
Planning and Zoning:				
Supplies			7	
Professional Services			1,450	
Total Planning and Zoning	1,500	1,500	1,457	43
Total Public Safety	327,685	299,994	298,025	1,969
<b>Public Works:</b>				
Street Lighting:				
Insurance			6,500	
Utilities			27,174	
Total Street Lighting	31,000	31,580	33,674	(2,094)
Sidewalk Replacement:				
Fringe Benefits			1,153	
Equipment Rental			418	
Maintenance and Repairs			7,504	
Total Sidewalk Replacement	9,070	10,286	9,075	1,211

**VILLAGE OF HOMER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended December 31, 2007**

<b>EXPENDITURES (Continued)</b>	<b>ORIGINAL BUDGET</b>	<b>AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE WITH AMENDED BUDGET</b>
Locally Administered Streets:				
Snow Removal			8	
Total Locally Administered Streets	4,422	4,326	8	4,318
Total Public Works	44,492	46,192	42,757	3,435
Recreation and Cultural:				
Parks:				
Wages			3,724	
Payroll Taxes			282	
Fringe Benefits			1,790	
Professional Services			100	
Equipment Rental			3,595	
Maintenance and Repairs			907	
Insurance			50	
Total Parks	16,320	11,285	10,448	837
Promotional:				
Wages			1,150	
Payroll Taxes			86	
Fringe Benefits			372	
Supplies			1,726	
Printing and Postage			126	
Equipment Rental			938	
Maintenance and Repairs			188	
Utilities			1,971	
Total Promotional	5,307	5,168	6,557	(1,389)
Total Recreation and Cultural	21,627	16,453	17,005	(552)
Total Expenditures	533,551	552,818	531,930	20,888
Excess of Revenues Over Expenditures	91,765	87,686	94,176	6,490

**VILLAGE OF HOMER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended December 31, 2007**

<u>EXPENDITURES (Continued)</u>	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
<b>Other Financing Sources (Uses):</b>				
Sale of Fixed Assets	-	2,402	801	(1,601)
Operating Transfers In	25,423	42,965	25,423	(17,542)
Operating Transfers Out	<u>(106,348)</u>	<u>(106,348)</u>	<u>(106,347)</u>	<u>1</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(80,925)</u>	<u>(60,981)</u>	<u>(80,123)</u>	<u>(19,142)</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	10,840	26,705	14,053	(12,652)
<b>Fund Balance - January 1, 2007</b>	<u>79,741</u>	<u>79,741</u>	<u>79,741</u>	<u>-</u>
<b>Fund Balance - December 31, 2007</b>	<u>\$ 90,581</u>	<u>\$ 106,446</u>	<u>\$ 93,794</u>	<u>\$ (12,652)</u>

VILLAGE OF HOMER  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS  
December 31, 2007

ASSETS						Total	
	Park Maint Fund	Lake Imp Fund	Skating Fund	Fire Truck Fund	Building Authority Fund	Park System Fund	Total
Cash and Cash Equivalents	\$ 51,920	\$ 4,272	\$ 820	\$ 12,937	\$ 61,383	\$ 12,706	\$ 144,038
Investments	11,632	-	-	250,000	-	-	261,632
Receivables	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-
Other	-	-	-	1,559	150	-	1,709
Due from Other Funds	-	-	-	-	4,500	-	4,500
Total Assets	\$ 63,552	\$ 4,272	\$ 820	\$ 264,496	\$ 66,033	\$ 12,706	\$ 411,879
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	-
Fund Balances							
Reserved	-	-	-	-	-	-	-
Designated	-	-	-	-	-	-	-
Unreserved-Undesignated	63,552	4,272	820	264,496	66,033	12,706	411,879
Total Fund Balances	63,552	4,272	820	264,496	66,033	12,706	411,879
Total Liabilities and Fund Balances	\$ 63,552	\$ 4,272	\$ 820	\$ 264,496	\$ 66,033	\$ 12,706	\$ 411,879

**VILLAGE OF HOMER**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2007**

	Park Maint Fund	Lake Imp Fund	Skating Fund	Fire Truck Fund	Building Authority Fund	Park System Fund	Total
<b>Revenues</b>							
Taxes and Penalties	\$ -	\$ -	\$ -	\$ -	\$ 2,247	\$ -	\$ 2,247
Contributions from Local Units	-	-	-	24,050	-	-	24,050
Interest and Rentals	1,674	149	28	10,660	2,582	789	15,882
Other Revenue	-	-	-	-	-	19	19
<b>Total Revenues</b>	<b>1,674</b>	<b>149</b>	<b>28</b>	<b>34,710</b>	<b>4,829</b>	<b>808</b>	<b>42,198</b>
<b>Expenditures</b>							
General Government:							
Insurance	-	-	-	-	229	-	229
Contracted Services	-	-	-	-	11,100	-	11,100
Recreation and Cultural:							
Insurance	-	-	-	-	-	137	137
Contracted Services	-	-	-	-	-	167	167
Debt Service:							
Principal	-	-	-	-	8,000	-	8,000
Interest	-	-	-	-	3,200	-	3,200
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,529</b>	<b>304</b>	<b>22,833</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,674</b>	<b>149</b>	<b>28</b>	<b>34,710</b>	<b>(17,700)</b>	<b>504</b>	<b>19,365</b>
<b>Other Financing Sources (Uses):</b>							
Operating Transfer In	789	-	-	16,000	-	-	16,789
Operating Transfer (Out)	(8,000)	-	-	-	-	(789)	(8,789)
<b>Total Other Financing Sources (Uses)</b>	<b>(7,211)</b>	<b>-</b>	<b>-</b>	<b>16,000</b>	<b>-</b>	<b>(789)</b>	<b>8,000</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(5,537)</b>	<b>149</b>	<b>28</b>	<b>50,710</b>	<b>(17,700)</b>	<b>(285)</b>	<b>27,365</b>
<b>Fund Balance-January 1, 2007</b>	<b>69,089</b>	<b>4,123</b>	<b>792</b>	<b>213,786</b>	<b>83,733</b>	<b>12,991</b>	<b>384,514</b>
<b>Fund Balance-December 31, 2007</b>	<b>\$ 63,552</b>	<b>\$ 4,272</b>	<b>\$ 820</b>	<b>\$ 264,496</b>	<b>\$ 66,033</b>	<b>\$ 12,706</b>	<b>\$ 411,879</b>



**WALKER, FLUKE & SHELDON, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

525 W. Apple Street  
Hastings, MI 49058  
Phone (269) 945-9457  
Fax (269) 945-4890

Christopher J. Fluke, C.P.A.  
Katherine K. Sheldon, C.P.A.

1971 S. State Road  
Jonia, MI 48846  
Phone (616) 522-0792  
Fax (616) 522-0873

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Village Council  
Village of Homer  
Calhoun County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Homer, as of and for the year ended December 31, 2007, which collectively comprise Village of Homer's basic financial statements and have issued our report thereon dated April 25 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Homer's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

- The Village does not reconcile water and sewer deposits with meter readings or the billing program.
- The Village does not have the technical expertise to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, changes in capital assets, and to present required financial statement disclosures. Currently, the Village contracts with Walker, Fluke & Sheldon, PLC to prepare the financial statements and assist with accrual entries.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed testes of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial

statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that required to be reported under Government Auditing Standards.

This communication is intended solely for the information and use of management, the board of trustees of Village of Homer and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Hastings, MI  
April 25 2008

Walker, Fiske & Sheldon, PLLC





**WALKER, FLUKE & SHELDON, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

525 W. Apple Street  
Hastings, MI 49058  
Phone (269) 945-9452  
Fax (269) 945-1890

Christopher J. Fluke, C.P.A.  
Katherine K. Sheldon, C.P.A.

1971 S. State Road  
Lonia, MI 48846  
Phone (616) 522-0793  
Fax (616) 522-0874

April 25, 2008

To the Village Council  
Village of Homer  
Calhoun County, Michigan

We have recently completed an audit of the financial statements of the Village of Homer, Calhoun County, Michigan for the year ended December 31, 2007. During the course of the audit the following items came to our attention, which require further comment.

**Budgets Should Be Reviewed On A Periodic Basis**

The general appropriations act passed before the beginning of each fiscal year is the legal authority for the Village to spend public moneys. The general appropriations act specifies amounts that may be spent by budget category. The Village does not have legal authority to spend amounts in excess of specific appropriations.

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit of government may not incur expenditures in excess of amounts appropriated. When it appears that more money will be spent than the amount originally appropriated, it is necessary to amend the budget. This can be done at any meeting prior to the fiscal year end and does not require a new public hearing. During the year ended December 31, 2007, the Village's actual expenditures exceeded their appropriations in several categories.

It is recommended that the Village closely monitor the expenditures in relation to amounts appropriated and amend the budget when necessary. In addition, consideration should be taken at year-end for typical audit adjustments and amend the budget accordingly. The approved budget and all amended budgets should become a permanent part of the board minutes.

**A Separate Street Bank Account Is Required**

During the course of the audit, it was noted that Village does not have a separate streets bank account.

The Department of Treasury requires that local units of government that receive ACT 51 monies maintain a separate streets bank account. This account will control the expenditures of monies that are earmarked by law and the State Constitution for street and highway purposes. The local and major street funds may be pooled as one shared account.

It is recommended that the Village Council approve the opening of a street bank account and the restricted fund balance be transferred to this account. All future deposits and expenditures should be deposited and paid from this account.

**General Ledger Cash Should Be Reconciled to the Treasurer's Records Monthly**

During the course of the audit, it was noted that the cash accounts in the general ledger had not been reconciled to the Treasurer's reconciled statements on a monthly basis. Additional bookkeeping work is outside the normal procedures required by an audit and results in additional costs to the Village.

One of the most important internal control procedures is for the Clerk and Treasurer to reconcile their books to the reconciled bank statements for all bank accounts maintained by the Treasurer. This step verifies that all the activity of the Village has been recorded in the Village general ledger.

We recommended that the bank reconciliations be compared to the general ledger on a monthly basis. Differences should be investigated in a timely manner. Adjustments should be made to the general ledger as necessary.

During the current year, the Village has implemented a process to reconcile cash on a monthly basis.

#### General Ledger Disbursement Posting

During the course of the audit, several disbursements were inconsistently posted to the general ledger and coded to incorrect general ledger accounts. This causes inaccurate interim financial statements, which may cause budgeting problems throughout the year.

We recommend that the clerk be given the opportunity to consult with outside professionals on a monthly basis for help with posting of items in question, if needed. This can save the Village in costly bookkeeping fees incurred during the audit.

#### Disbursements

During the course of the audit, it was noted that credit card disbursements were not substantiated by a valid receipt.

Disbursements made by the Village should be supported by proper documentation. Invoices or contracts should support expenditures for goods or services. A signed reimbursement form that specifies the payee, what the expense was incurred for, where the expense occurred, when the expense was incurred and why the expense was incurred should substantiate reimbursements to employees or officials. Applicable invoices or receipts should be attached.

We recommend that the Village obtain proper documentation for all disbursements made. The documentation should be filed in an organized manner that is easily assessable. In addition, the Village Board should examine all credit card invoices prior to approval for payment.

We would like to take this opportunity to thank the Village for the cooperation and courtesy extended to us during the audit. If you have any questions or need assistance, do not hesitate to contact us.

Walker, Fiske & Sheldon, PLLC



WALKER, FLUKE & SHELDON, PLC  
CERTIFIED PUBLIC ACCOUNTANTS

525 W. Apple Street  
Hastings, MI 49058  
Phone (269) 945-9452  
Fax (269) 945-4890

Christopher J. Fluke, C.P.A.  
Katherine K. Sheldon, C.P.A.

1971 S. State Road  
Ionia, MI 48846  
Phone (616) 522-0792  
Fax (616) 522-0873

To the Village Council  
Village of Homer  
Calhoun County, Michigan

In planning and performing our audit of the financial statements of the Village of Homer as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Homer's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

- The Village does not reconcile water and sewer deposits with meter readings or the billing program.
- The Village does not have the technical expertise to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, changes in capital assets, and to present required financial statement disclosures. Currently, the Village contracts with Walker, Fluke & Sheldon, PLC to prepare the financial statements and assist with accrual entries.

This communication is intended solely for the information and use of management, the board of trustees of Village of Homer and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Hastings, MI  
April 25, 2008

*Walker, Fluke & Sheldon, PLC*